

# Directors' Report

For the first quarter ended  
March 31, 2021

The Directors are pleased to present the Directors' Report of State Life Insurance Corporation of Pakistan (Corporation) along with its condensed interim financial statements (un-audited) for the first quarter ended March 31, 2021.

## Financial Performance and Operating Results:

During the period under review, overall performance of the Corporation remained robust, showing positive growth compared to last year. An overview of the performance of State Life Insurance Corporation, for the period ended March 2021 as compared to same period of last year is summarized below:

- 1.1 Total Income of the Corporation increased to Rs. 54,361 million in the first quarter of 2021 compared to Rs. 19,643 million in the corresponding quarter of 2020, registering increase of 176.7 percent. These include unrealized fair value loss on financial assets of Rs. 2,486 million in 2021 (2020: Rs. 28,307 million). If fair value loss impact is excluded; the reported period income would be Rs. 56,846 million (2020: 47,949 million) i.e. 18.6 percent increase over the same period last year.
- 1.2 Acquisition expenses up to March 2021 were Rs. 3,202 million as compared to Rs.2,391 million in the same quarter of last year, showing an increase of 34 percent; Marketing and Administrative expenses were Rs. 2,224 million as compared to Rs.2,011 million in the preceding period showing an increase of 10.6 percent. Overall management expense ratio to gross premium income for the quarter 2021 was 17.9 percent as against 19.4 percent to last period.
- 1.3 Insurance benefits paid to policyholders in the first quarter of 2021 were Rs. 18,384 million as Rs. 13,074 million last period, registering an increase of 40.6 percent.
- 1.4 Statutory funds as at March 2021 was Rs. 1,157,713 million as against Rs. 998,582 million in the last period, showing an increase of 15.9 percent.

The basic and diluted Earnings Per Share (EPS) for the quarter ended March 31, 2021 was Rs. 42.4 compared to the corresponding 2020 figure of Rs. 11.8. The reason the earnings per share of last period was significantly lower was due to inclusion of unrealized fair value loss of Rs. 28,306 million.

## 2. BUSINESS PORTFOLIO WISE PERFORMANCE:

### 2.1 INDIVIDUAL LIFE BUSINESS

First year gross premium income under Individual Life policies during quarter ended March 2021 was Rs.2,641 million as compared to Rs. 1,872 million in the corresponding period, resulting an increase of 41 percent. Gross renewal premium was Rs. 20,760 million in the first quarter 2021 in comparison with Rs. 17,857 million in the corresponding period, showing an increase of 16 percent.

## 2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the first quarter of 2021 was Rs. 1,306 million as compared to Rs. 861 million in the same quarter, showing an increase of 52 percent.

## 2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the first quarter 2021 was Rs.8,593 million as compared to Rs. 3,900 million in the corresponding period of 2020, showing significant increase of 120 percent mainly due to health insurance policies undertaken for Sehat Sahulat Program (Ex- Prime Minister's National Health Insurance Program) and Social Health Protection Initiative – Program of KP Government.

## 2.4 INVESTMENT:

Net investment income increased to Rs. 24,155 million during the first quarter of 2021 as compared to loss of Rs. 3,025 million in the corresponding period of 2020. These include unrealized fair value loss on financial assets of Rs. 2,486 million in 2021 (2020: 28,307 million). If unrealized fair value loss impact is excluded from both periods, net investment income of 2021 quarter would be Rs.26,641 million as against Rs. 25,282 million showing an increase of 5.4 percent over last period.

## 2.5 REAL ESTATE:

In the first quarter of 2021, Real Estate Division performed well in the context of Real Estate management and in overall rental income. Breakup of rental income and expenses are stated hereunder:

	First Quarter March – Rs. In million		
	<u>2021</u>	<u>2020</u>	<u>Inc/(Dec)</u>
Rental Income	352	309	43
Expenses	110	114	(4)
Net	242	195	47

## 2.6 CREDIT RATING:

State Life is the only insurer in Pakistan's insurance industry that has continuously maintained 'AAA' rating by Pakistan Credit Rating Agency (PACRA). The 'AAA' rating denotes SLIC's exceptionally strong capacity to meet policyholder and contractual obligations.

## 3. The Future

Despite the current Covid-19 pandemic, the Corporation has performed well in this reporting period. With an increased vaccination drive in Pakistan and improved global response, there are signs that

over the year the macro-economic environment will improve which will also have a beneficial impact for the life insurance industry.

In view of the strong results of first quarter, we anticipate that Corporation would continue to maintain its leading position in Pakistan. The Corporation intends to grow its business by increased product distribution channel diversification.

### **Federal Sehat Sahulat Program**

The Federal Government's Sehat Sahulat Program formerly known as the Prime Minister National Health Programme has been implemented in more than 68 districts across Pakistan and provides protection against catastrophic health expenditures to the poor segment of society.

Under this scheme, a total of 403,000+ patients have been provided the health care services up-to Rs. 60,000/- for secondary procedures and Rs. 300,000/- for tertiary procedures from 450+ empaneled hospitals across Pakistan.

State Life has incurred more than Rs. 9 billion of claims in lieu of the provided services.

As per recent 3<sup>rd</sup> party satisfactory survey more than 97 percent of families have shown satisfaction upon the services provided under the program.

The program is perceived to be expanded in all districts of Pakistan. The Corporation is targeting more than 50 million individuals who would be provided the insurance coverage against catastrophic health care expenditure. Universal Health Coverage in FATA, Tharparkar and AJK have been implemented.

Further, the coverage has been extended to cover all the disabled persons and registered transgender community of Pakistan. Plans are underway to expand the scheme to cover 100 percent population of Gilgit-Baltistan and Islamabad.

### **Sehat Sahulat Program-KP**

The Social Health Protection Initiative (SHPI) which started in four districts of Khyber Pakhtunkhwa has been extended to all the districts of KP Province. The target population of beneficiaries which was 2.1 million families has been further expanded in 2020.

The Program has entered into new phase where the hospitalization coverage under this program has been increased to Rs. 40,000 per person for secondary procedures and Rs.400,000 for tertiary care treatments. The program also provides maternity & tertiary transport and funeral expense.

Corporation has won the competitive bidding for extension of coverage to 100 percent population of KP, where more than 7 million families would be covered. This scheme has a worth of around Rs. 100 billion in the next five years. However, Universal Health Insurance would be implemented zone wise (each zone consisting of 4 to 6 district and thus 100 percent population would be covered by 1<sup>st</sup> Feb, next year.

So far, more than 276,000 admissions have taken place under the scheme in more than 140+ hospitals of KP. Under the new phase, inter-district portability has been extended all across Pakistan which will enable the patients of KP to seek health care coverage across State Life's network of more than 450+ hospitals.

## **Family Takaful**

The Corporation on receipt of license to start Window Takaful Operations established a statutory fund namely "Family Takaful Fund" to offer Family Takaful Contracts. Family Takaful Contract is an arrangement to which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and based on the principles of Wakala Waqaf Model. Under a Takaful arrangement, individual comes together and contribute towards the common objectives of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participant's liabilities is limited to the amount available in the Waqf Fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surplus generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to participants from the Waqf Fund.

Corporation has commenced Takaful Operations from January 2021 under Family Takaful Fund.

## **4. Profit and Loss Account**

Profit after tax (PAT) attributable to Shareholders for the period under review was Rs. 1,950.52 million (last period: 505.92 million) in which Rs. 1,248.80 million (preceding period: 53.92 million) has been transferred to Ledger Account "D" (Solvency reserve), on the advice of Appointed Actuary. No interim dividend is declared.

## **5. Note of Appreciation**

We wish to thank our valued policyholders for continuing trust and confidence in our products and services. We are grateful to the Securities and Exchange Commission of Pakistan (SECP) for their continued guidance and assistance. We extend our gratitude to our reinsurers, business partners and the State Bank of Pakistan for their support.

We are pleased to place on record the deep appreciation on behalf of the Board of Directors for the efforts made by all the tiers of the field force and devotion to duty of the staff and officers for the overall performance of the Corporation.

On behalf of the Board of Directors



Chairman /Director

**Shoaib Javed Hussain**

Karachi, Dated: May 7, 2021